

Issue 73: INSIDER'S EDGE: Social Security Income & MAGI

Welcome back! Today, we'll be taking a closer look at how to report Social Security income for Modified Adjusted Gross Income (MAGI) applicants.

The Basics

MAGI-eligible groups fall into one of four categories:

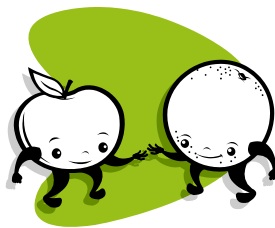
- Children
- Pregnant women
- Parents and caretaker relatives
- Nondisabled childless adults under 65

The guidepost for determining MAGI is IRS Form 1040, U.S. Individual Tax Return. When considering what income must be reported for MAGI, applicants should look at lines 7 through 21 on Form 1040. Any **income type** *not* counted as income on lines 7 through 21 will *not* be part of MAGI. (Deductions from MAGI are drawn from lines 23 through 35—see *Issue 33: MAGI—What Can You Deduct?* for more on deductions).

But wait, that's not the whole process.

Once Adjusted Gross Income (AGI) is defined (see Line 37 of IRS Form 1040), three adjustments are made to AGI to **transform** it into MAGI. These adjustments account for (1) foreign income, (2) tax exempt interest and **(3) non-taxable Social Security benefits**.

How should Social Security benefits be recorded?



Step One: Determine the Type(s) of Social Security Benefit the Consumer Receives

Remember, Supplemental Security Income (SSI) payments and other Social Security benefits, including Disability Insurance (SSDI) payments, are handled differently under the MAGI rules.

- SSI payments do **not** count towards a person's income under the MAGI rules.
- However, other Social Security benefits **are** countable as income under the MAGI rules, such as:
 - SSDI,
 - Retirement benefits,
 - Widow's benefits, and
 - Survivor's benefits.

Step Two: Count All Social Security Benefits the Consumer Receives, Except for SSI

As noted above, only a portion of Social Security is subject to federal income tax and only that taxable portion is included in AGI under IRS income tax rules and recorded on Line 37 of IRS Form 1040.

However, under MAGI, all Social Security income will be included.

Thus, when determining MAGI, caseworkers do NOT need to determine what portion of Social Security is taxable and not taxable. The full amount of all Social Security benefits *except for SSI* are included in MAGI.

WAIT! A Special Note Regarding Children's Social Security Benefits

In most cases, when a child receives Social Security benefits, the amount received will **not** count toward the household's MAGI. The child's Social Security benefits should only be included in the household MAGI **if** the child's income is high enough to require them to file a tax return. For more information, see *Issue 53: INSIDER'S EDGE: Whose Income Is It? Social Security Benefits For Kids*.

Additional Resources

If you need a refresher on the basics of what does and does not count under MAGI, check out these past issues:

- *Issue 30: INSIDER'S EDGE: DOs and DON'Ts—MAGI is back!*
- *Issue 33: INSIDER'S EDGE: MAGI—What Can You Deduct?*
- *Issue 35: INSIDER'S EDGE: Reporting Income, Round 2 (addressing scholarships, student loans, gifts, and child support)*
- *Issue 44: INSIDER'S EDGE: Disability Payments—Is it Income?*
- *Issue 53: INSIDER'S EDGE: Whose income is it? Social Security Benefits for Kids*
- *Issue 64: INSIDER'S EDGE: Veterans' Benefits*

Have questions? Of course you do! Shoot me an e-mail, dhmh.medicaidmarge@maryland.gov.